

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF INDIANA

May 1, 2005 to May 31, 2007



FILED
09/05/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials.....	2
Independent Accountant's Report	3
Review Comment: Daily Deposits	4
Exit Conference	5
Official Response	6

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Charles W. Phillips	01-08-01 to 06-30-05
	John P. Goddard (Interim)	07-01-05 to 07-31-05
	Judith G. Ripley	08-01-05 to 07-31-09



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEPARTMENT OF FINANCIAL INSTITUTIONS

We have reviewed the receipts, disbursements, and assets of the Department of Financial Institutions for the period of May 1, 2005 to May 31, 2007. The Department of Financial Institutions' management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Department of Financial Institutions are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comment.

STATE BOARD OF ACCOUNTS

June 19, 2007

DEPARTMENT OF FINANCIAL INSTITUTIONS
REVIEW COMMENT
May 31, 2007

DAILY DEPOSITS

The Indiana Department of Financial Institutions did not deposit receipts for licensing fees within the following business day during high-volume remittance periods. Also, the checks received were not restrictively endorsed immediately upon receipt.

Implementing a lockbox system would eliminate delays in depositing revenue timely.

Indiana Code 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

Lockbox systems are an efficient means of processing high-volume, repeating types of revenue transactions. In a lockbox system, the revenue is mailed directly to the financial institution by the payee. Within one business day, the bank has recorded the deposit to the treasury account and forwards an itemized report to the agency. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

DEPARTMENT OF FINANCIAL INSTITUTIONS
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2007, with Judith G. Ripley, Director; and Gina R. Williams, Deputy Director. The official response has been made a part of this report and may be found on page 6.

A copy of the draft report was sent to John P. Goddard, former Interim Director; and Charles W. Phillips, former Director; on July 19, 2007.



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS

July 26, 2007

Bruce Hartman
State Examiner
State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2738

30 South Meridian Street, Suite 300
Indianapolis, IN 46204
Telephone: (317) 232-3955
FAX: (317) 232-7655
WEB SITE: <http://www.dfi.state.in.us>

Re: Official Response to State Board of Accounts Audit

Dear Mr. Hartman:

Director Judith Ripley and I met with Examiner Michael Daniely on June 18, 2007 to discuss the findings of the State Board of Accounts Audit dated May 1, 2005 to May 31, 2007 of the Indiana Department of Financial Institutions. The following are the issues Mr. Daniely indicated would be addressed in the audit and our response to each:

1) The Indiana Department of Financial Institutions did not deposit receipts for licensing fees within the following business day during high-volume remittance periods. Also, the checks received were not restrictively endorsed immediately upon receipt.

Response: Department management has been actively looking into different methods to receive payments to help eliminate the number of checks physically received by the agency. It was thought that the department would be set up on the License 2000 system in the first quarter of 2007 which would enable us to accept electronic payments. However, we were told recently that the earliest that could occur would now be mid 2008. As a result, we are actively pursuing other payment alternatives including implementing a lockbox system. The plan is to have a lockbox system in place prior to the end of 2007 for the high-volume remittance period.

Effective Wednesday, July 25, 2007, all checks received will be restrictively endorsed immediately upon receipt.

The Department wants to thank Mr. Daniely for his professionalism and courtesy during the audit.

If you have any questions, please do not hesitate to contact Supervisor of Administration Troy Pogue or the undersigned at (317) 232-3955.

Sincerely,

Gina Williams

Deputy Director of Administration
Indiana Department of Financial Institutions

EQUAL OPPORTUNITY EMPLOYER